



STATE OF MISSISSIPPI

DEPARTMENT OF CORRECTIONS

CHRISTOPHER B. EPPS
COMMISSIONER

December 11, 2003

Handmail

Honorable Phil Bryant
Office of the State Auditor
501 N. West Street – Suite 801
Jackson, Mississippi 39201

RE: FINANCIAL AUDIT FINDINGS/OTHER AUDIT FINDINGS

Dear State Auditor Bryant:

Listed below are the findings and recommendations of your office concerning the Mississippi Department of Corrections fiscal year 2003 audit, along with this Agency's response and corrective action plan for each finding. We are pleased that for the second consecutive year there are no current year audit findings.

PRIOR YEAR FINDINGS NOT CORRECTED

We continue to note the following condition which requires the attention of management. This matter, which does not currently have a material effect on the financial statements, involves internal control weaknesses or other matters. The finding and recommendation below is intended to improve or correct internal control structure weaknesses or other matters. However, we believe that the reportable condition described below is not a material weakness.

Finding No. 1:

Our review of the internal controls for Fund 8105, Parole Release Fees, determined that collections of fees and record keeping of these collections were not properly segregated. It has been noted that a number of internal control checks are in place that would mitigate the effects of the above lack of segregation that have been shown to be effective in the past. However, the Parole Field Officers continue to collect the fees due from the parolee, maintain the records and make deposits of fees collected into an MDOC bank account. Therefore, until procedures are implemented that will separate these duties, we continue to note the current controls and/or segregation of these duties are not sufficient to accomplish the internal control objectives of the Agency.

Recommendation:

We are aware that one objective of the Agency is to centralize collection of supervision fees. Until such time, we continue to recommend that MDOC segregate the collection and record keeping functions and/or add additional controls. Some possible considerations include:

- (1) A central collections center could be instituted that would be responsible for collecting the above mentioned fees from the parolees and depositing these funds in the appropriate MDOC bank account, in a timely fashion. An accounting of the activity could then be provided to the Parole Field Officers prior to the parolee's monthly visit.
- (2) Additional random internal audits could be performed on Parole Field Officers' records to ensure that all funds are appropriately being collected and timely deposited into the proper bank account. Although this would not result in better segregation of duties, additional oversight would reduce the possibility of misappropriation.

Additional analytical reviews of collections could be instituted in which the reviewer would analyze the collection patterns of each officer to detect any unusual patterns or inconsistencies. This would assist in providing certain assurance that material concerns are detected. This would also not result in better segregation of duties but would serve to identify potential problems and could be implemented in conjunction with recommendation (1) above.

Response:

We concur with the state auditor's findings regarding supervision fee collections. Increased internal audits and additional analytical review procedures will increase assurance that supervision fees are properly collected, posted and deposited in a timely manner. Collections are currently reviewed analytically to detect unusual fluctuation in collections.

Additionally, regarding segregation of the collection and recordkeeping functions the agency intends to look at the following options:

- Use an independent agent to collect supervision fees from offenders. Offender would pay a small fee to agents located throughout the state for the service of transferring supervision fees to a central account and posting the transaction to the offender's account. Two companies are currently in the process of setting up an agent-based network throughout the state. Upon establishment of an agent-based system which provides adequate coverage, MDOC will have the option of using agents to collect supervision fees, removing the field officer from the collection function.
- Centralizing the collection function for supervision fees by creating a centrally located staff to receive and post all money orders for offenders throughout the state.

Both options will require implementation of the new Offender Management System which was procured in September 2002 and just recently became functional on December 10, 2003.

Corrective Action Plan:

- A. MDOC will explore options regarding collecting supervision fees centrally and/or utilizing a collection agent.
- B. The responsible parties for implementation of a central or agent based collection system will be the Deputy Commissioner of Administration & Finance and the Deputy Commissioner of Community Corrections.
- C. MDOC will work towards having a central or agent based collection system in place prior to the end of Fiscal Year 2005.
- D. Not applicable

CURRENT YEAR FINDINGS

None Noted

Again, if I can be of further assistance, please do not hesitate to contact me at (601) 369-5621.

Sincerely,



Christopher B. Epps
Commissioner

CE/RM/vle:aa

Pc: Rick McCarty, Deputy Commissioner of Administration & Finance